

SINGAPORE TECHNOLOGIES ENGINEERING LTD

(Incorporated in the Republic of Singapore)

Company Registration No. 199706274H

ANNOUNCEMENT**ST ENGINEERING TO EXIT U.S. MARINE BUSINESS**

The board of directors (the “**Board**”) of Singapore Technologies Engineering Ltd (“**ST Engineering**” or the “**Company**”) wishes to announce that the Company’s wholly-owned subsidiaries, ST Engineering North America Government, Inc. (“**STENAG**”) and ST Engineering North America, Inc. (“**STENA**”, and together with STENAG, the “**Sellers**”), have today entered into a securities purchase agreement (the “**Agreement**”) with Bollinger Shipyards Lockport, L.L.C. (the “**Purchaser**”) to dispose respectively the entire issued and outstanding equity interests of VT Halter Marine, Inc. (“**VTHM**”) and ST Engineering Halter Marine and Offshore, Inc. (“**STEHMO**”, the entire issued and outstanding equity interests of VTHM and STEHMO, the “**Sale Interests**”), to the Purchaser (the “**Proposed Disposal**”).

VTHM and STEHMO are corporations established under the laws of the State of Delaware and are indirect wholly-owned subsidiaries of the Company. All of the equity interests of VTHM and STEHMO are owned by STENAG and STENA respectively. VTHM is principally engaged in the design and construction of ships in the commercial and defence segments, while STEHMO is principally engaged in the construction, repair and construction of ships, barges and rigs.

Key Terms of the Proposed Disposal

The Purchaser is a U.S based corporation and is principally engaged in the design, engineering and construction of complex, high endurance U.S. Coast Guard and U.S. Navy vessels, research vessels and offshore oil field support vessels and tugboats, amongst others. The Purchaser is not related to the Company, its directors, its subsidiaries or its controlling shareholders.

Based on the terms of the Agreement, the consideration to be paid by the Purchaser to the Sellers in cash on completion of the Proposed Disposal (“**Closing**”) is approximately US\$15 million (equivalent to approximately S\$21 million¹) (the “**Purchase Price**”), on a cash-free, debt-free basis, subject to net working capital adjustments, if any, post-Closing.

In addition, pursuant to the terms of the Agreement, the Purchaser has also agreed to make earn-out payments post-Closing which are dependent on the award of certain future shipbuilding contracts to VTHM and the operating profit margin of such contracts. Assuming that the contracts are awarded to VTHM and the requisite operating profit margins for such contracts are met, the Purchaser would be required to pay up to an aggregate

¹ Calculated based on an exchange rate of US\$1: S\$1.41

amount of US\$10.25 million in cash (equivalent to approximately S\$14.5 million¹) (the “**Earn-Out Amount**”) to the Sellers. There is no assurance that any shipbuilding contracts referred herein will be awarded to VTHM nor that the requisite operating profit margins for such contracts will be met for all or any part of the Earn-Out Amount to be paid by the Purchaser to the Sellers post-Closing.

The Purchase Price and the Earn-Out Amount were arrived at after negotiations between the Sellers and the Purchaser on a “willing seller, willing buyer” basis, following an auction process conducted by the Sellers’ financial adviser, Macquarie Capital (USA) Inc., taking into consideration, *inter alia*, business prospects of VTHM and STEHMO and their current and historical financial performance and closing certainty.

Closing is subject to and conditional upon the satisfaction of various conditions precedent, including, *inter alia*, receipt of all consents, approvals or authorisations from governmental authorities. Subject to the conditions to Closing being satisfied or waived pursuant to the Agreement, the Company intends to complete the Proposed Disposal as soon as practicable, by the end of December 2022.

Information on the Sale Interests

Based on the unaudited consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Group 1H2022 Financial Statements**”), the combined net tangible assets (“**NTA**”) attributable to the Sale Interests was approximately US\$8 million (equivalent to approximately S\$11 million²).

Rationale for the Proposed Disposal

The Group has been undertaking regular portfolio review and rationalisation to focus on businesses that are strategic and which yield higher returns.

The Group conducted a thorough review of the financial performance of VTHM and STEHMO and their prospects. These two companies have incurred a combined net loss before tax of approximately US\$256 million (equivalent to approximately S\$349 million³) in the last five years (2017 – 2021), with an annual net loss before tax ranging from about US\$40 million (equivalent to approximately S\$56 million¹) to US\$60 million (equivalent to approximately S\$85 million¹).

After careful consideration, the Board is of the view that it is in the best interests of the Group to undertake the Proposed Disposal and exit the loss-making U.S. marine business. The Sellers engaged Macquarie Capital (USA), Inc. as its financial adviser to conduct an auction process involving the sale of VTHM and STEHMO to potential strategic investors and private equity funds. This process resulted in the selection of Bollinger Shipyards Lockport, L.L.C. as the most suitable purchaser, taking into consideration its good reputation and

¹ Calculated based on then prevailing exchange rate of US\$1 : S\$1.41

² Calculated based on then prevailing exchange rate of US\$1 : S\$1.38

³ Calculated based on then prevailing exchange rate of US\$1 : S\$1.36

strong track record in undertaking U.S. Navy and U.S. Coast Guard programmes, as a designer and builder of high-performance vessels, and its capability and resources to add value to VTHM's and STEHMO's current and future programmes, including the Polar Security Cutter programme.

Notwithstanding the Proposed Disposal, the U.S. remains a key market for ST Engineering and the Group will continue to invest in its businesses in the U.S. This includes, among others, focusing on its existing defence business and expanding its commercial businesses such as Commercial Aerospace and Smart Mobility.

Likewise, the Group's Marine business in Singapore continues to be strategic and core to ST Engineering.

Financial Effects

Based on the Purchase Price, the Proposed Disposal will not have a material impact on ST Engineering's NTA per share and its earnings per share for the current financial year.

Further Information

Based on the Group's audited consolidated financial statements for the financial year ended 31 December 2021 ("**FY2021**") and Group 1H2022 Financial Statements, the loss on disposal pursuant to the Proposed Disposal, which is non-cash in nature, of approximately S\$13.3 million amounts to 5% or less of the consolidated net profit⁴ of the Group for both FY2021 of approximately S\$637.6 million and six months ended 30 June 2022 of approximately S\$351.1 million. In addition, none of the absolute relevant figures under Rule 1006(a) and Rule 1006(c) of the Listing Manual exceeds 5%⁵. This Announcement has therefore been made pursuant to Rules 703 and 1008 of the Listing Manual.

Save for their shareholding interests in the Company, none of the directors of ST Engineering nor any of the controlling shareholders of ST Engineering has any interest, direct or indirect, in the Proposed Disposal.

By Order of the Board

Low Meng Wai / Tan Wan Hoon
Company Secretary / Joint Company Secretary
7 November 2022

⁴ "Net profit" means profit including discontinued operations that have not been disposed and before income tax and non-controlling interests.

⁵ As set out in paragraph 4.3(e) of Practice Note 10.1 of the Listing Manual.